Strategic Purchasing Initiative

Executive Briefing

March 2005

Meeting Purpose

Part 1

- **Objectives:**
  - Review components of USMC Strategic Purchasing Initiative
    - Strategic Sourcing and Commodity Council work (external strategy)
    - Process analysis and improvement (internal strategy)
  - Review actions and timeline
    - SPI Coordination w/ PPBE

- **Requested Decision:**
  - ❑ Approve selected commodities for first wave Strategic Sourcing/Commodity Council work

Part 2

- **Objective:**
  - Review process improvement e-tool concept

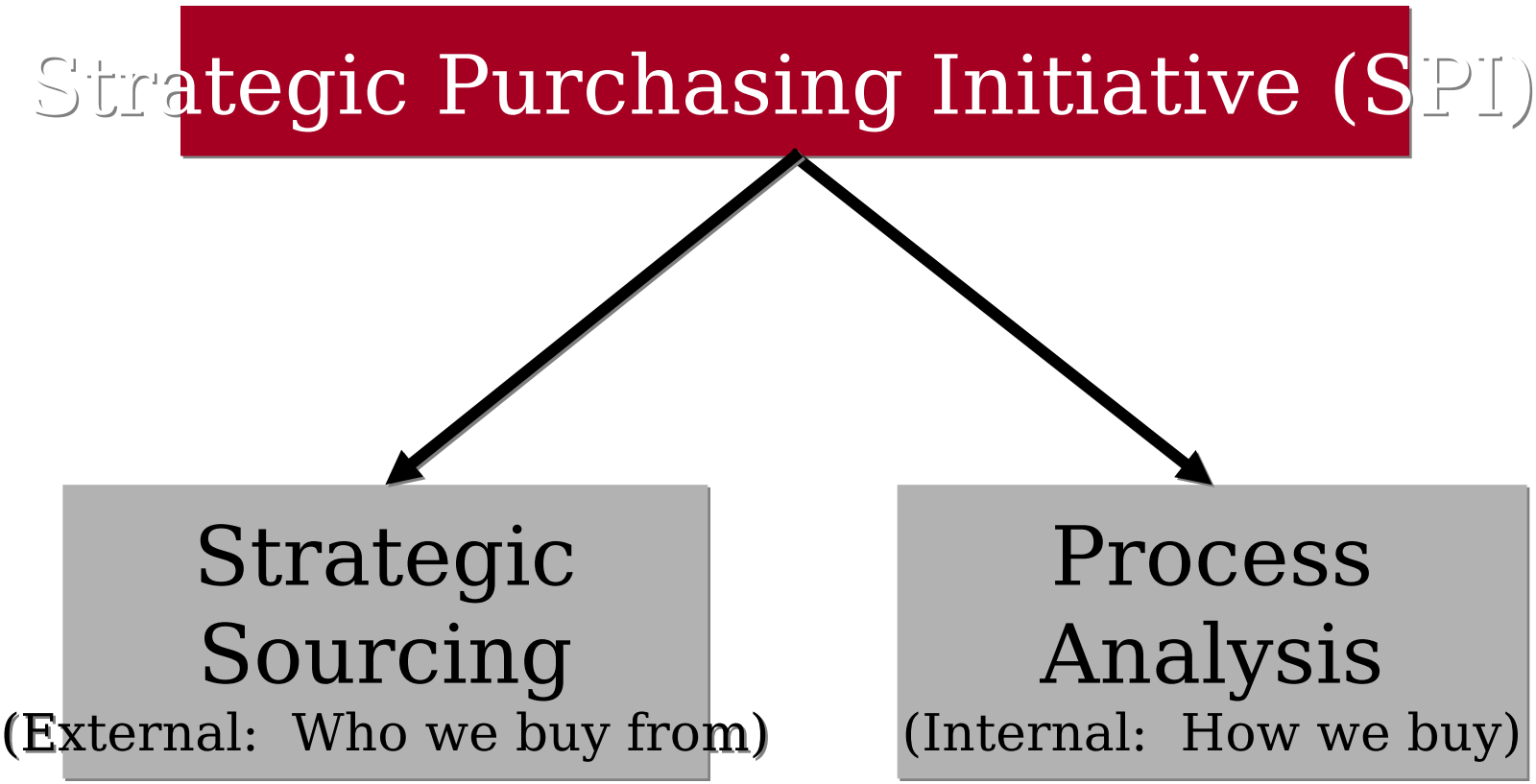
SPI Mission

Conduct an end-to-end review of Marine Corps product and service acquisition practices in order to identify opportunities for improvement.

Coordinate the development, approval, and implementation of action plans based on the following approaches:

(1) Coordination with other related initiatives
(2) Process mapping and analyses
(3) Spend analyses – Strategic Sourcing

SPI Elements



Strategic Sourcing/ Commodity Council Work

Major Finding

DoD and All Services are conducting SPI, under varying names:

- **Most align terminology w/ DoD's Defense-Wide Strategic Sourcing (DWSS)**
- **Most align processes with DWSS**
- **SPI has used DWSS CONOPS to support Commodity Council Plan**

Sample of Other Services' Commodity Councils

Navy

- Cell Phones
- Office Supplies
- Furniture/Fixtures
- Admin Services
- Medical Services

- Medical Services
- Air Force Material (many)

- Cell Phones
- Medical Services

DoD

- Medical Services (Army lead)
- Clerical Support (Navy lead)

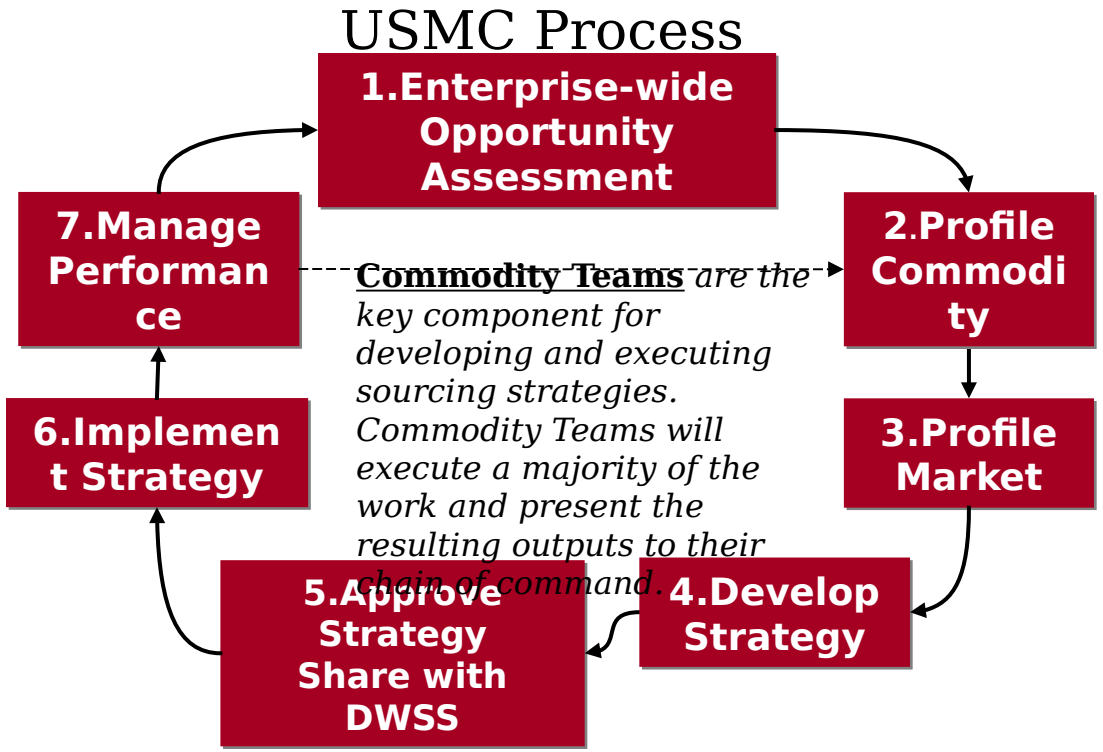
DLA

- Supplier Alliances

TRANSCOM

- Current Rand Study

Commodity Council USMC Process


USMC Process
1.Enterprise-wide Opportunity Assessment
2.Profile Commodity
3.Profile Market
4.Develop Strategy
5.Approve Strategy Share with DWSS
6.Implement Strategy
7.Manage Performance
Commodity Teams are the key component for developing and executing sourcing strategies. Commodity Teams will execute a majority of the work and present the resulting outputs to their chain of command.

USMC Process Follows DWSS Process

Defense-wide Strategic Sourcing (DWSS) Process

COMMODITY STRATEGIC SOURCING PROCESS
Conduct Opportunity Assessment
1 Profile Commodity
2 Conduct Supply Market Analysis
3 Develop Commodity Strategy
4 Issue RFx & Negotiate
5 Implement & Manage Performance

USMC Commodity Council Process

1. Enterprise-wide Opportunity Assessment	**Input:**	**High level spend analysis**
	Output:	**List of potential commodities**
	Deliverable:	**Draft CC charter**
2. Profile Commodity	**Inputs:**	**Charter, Spend analysis data, Training**
	Output:	**Profound understanding of commodity being procured**
	Deliverable:	**Commodity Profile (data and brief)**
3. Profile Market	**Inputs:**	**Spreadsheet and brief** **Consultant assistance**
	Outputs:	**Market data including cost, profit, vulnerability, importance of USMC volume, management, transaction costs, economies of scale, drivers, consumer concerns, industry forecasts, etc.**
	Deliverable:	**Market Profile (data and brief)**

USMC Commodity Council Process

4. Develop Strategy

Inputs:	**Commodity profile**
	Market profile
	General policy guidance
	Generic strategies
Outputs:	**Strategy tailored to specific commodity**
	Simple business case
	Estimated savings
	Milestones for "Savings Capture Letter" for P&R programming
Deliverables:	**Sourcing strategy BCA**
	Detail on source of estimated savings
	Draft "Anticipated Savings Letter"* (warning order) from LR to RPD for potential savings and anticipated time frame for "Savings Capture Letter" (execution order)
	Brief

***Note: See Sample Anticipated Savings Letter and enclosur**

USMC Commodity Council Process

5. Approve Strategy Share with DWSS

Steps 1-5 = ~6-9 months

Inputs: Step 4 deliverables
Oral presentation

Output: Go/No Go decision w/wo amplifying guidance

Deliverables: Anticipated Savings Letter
Transmittal of strategy to applicable contracting staff
Brief for (1) ESG, (2) CBC, and (3) DWSS SSDB

---

6. Implement Strategy

Inputs: Step 5 deliverables
CC consultation, background materials, and assistance

Output: Strategy execution

Deliverables: Orders placed with applicable source
Savings Capture letter from LR to RPD

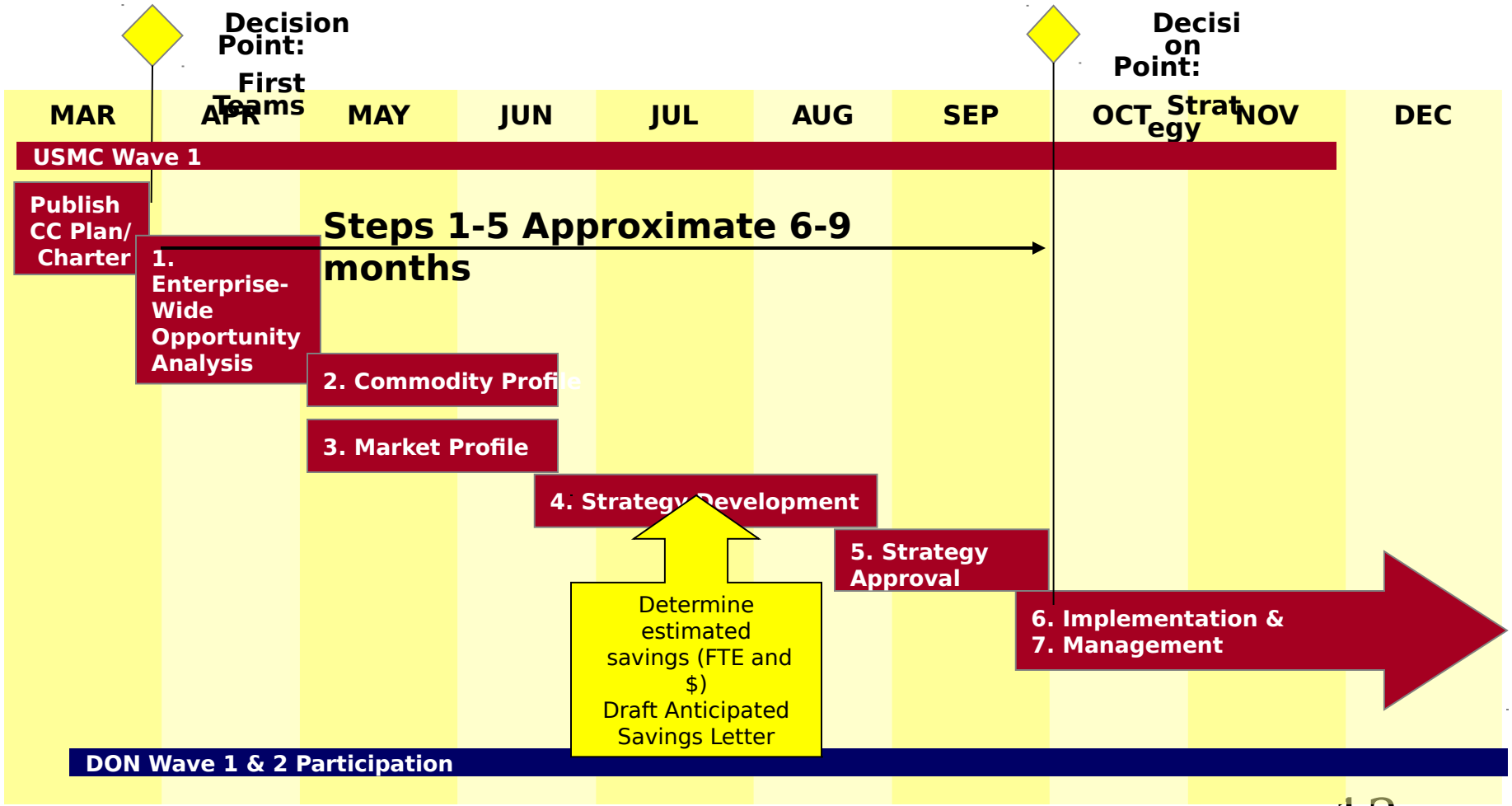
---

7. Manage Performance

Output: CC transition and exit

Return to step 1 → **1. Enterprise-wide Opportunity Assessment**

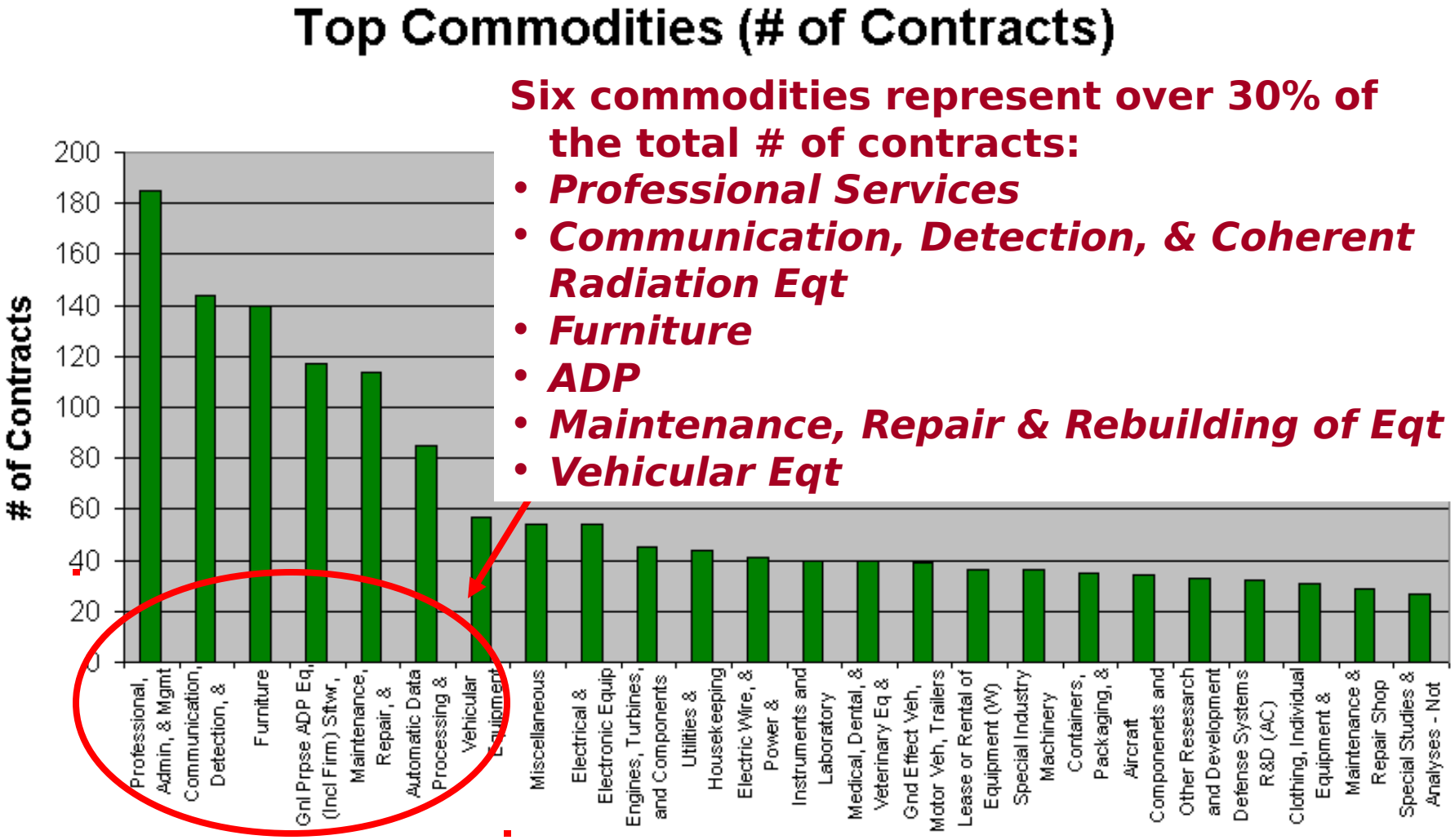
USMC Commodity Team Wave 1 Timeline



Potential Risks to PPBE Timeline

Potential Risk	Mitigation Efforts	If Risks are Not Mitigated
Lengthy contracting process for strategy implementation	✓Involving contracting personnel on commodity teams for early input • Identify best alternative for timely award • Streamline execution process	• Strategies unable to be implemented • Savings not harvested
Lengthy contracting process for acquiring CC support	✓Involving contracting personnel on commodity teams for early input	• Delay in savings • Potential loss of funds for contract (if near year-end)
Buy-in from commodity stakeholders	• Involving stakeholder reps on commodity team • Identifying expected savings or cost avoidance for stakeholder	• Strategies unable to be implemented • Savings not harvested • Stakeholders continue doing more with less
Lack of clarity on P&R Requirements	• Obtaining P&R feedback on draft "Anticipated Savings letter" and format of data	• Submission to P&R will be ineffective and savings will not be programmed

Where should we start?
USMC Commodity Council Data



Six commodities represent over 30% of the total # of contracts:

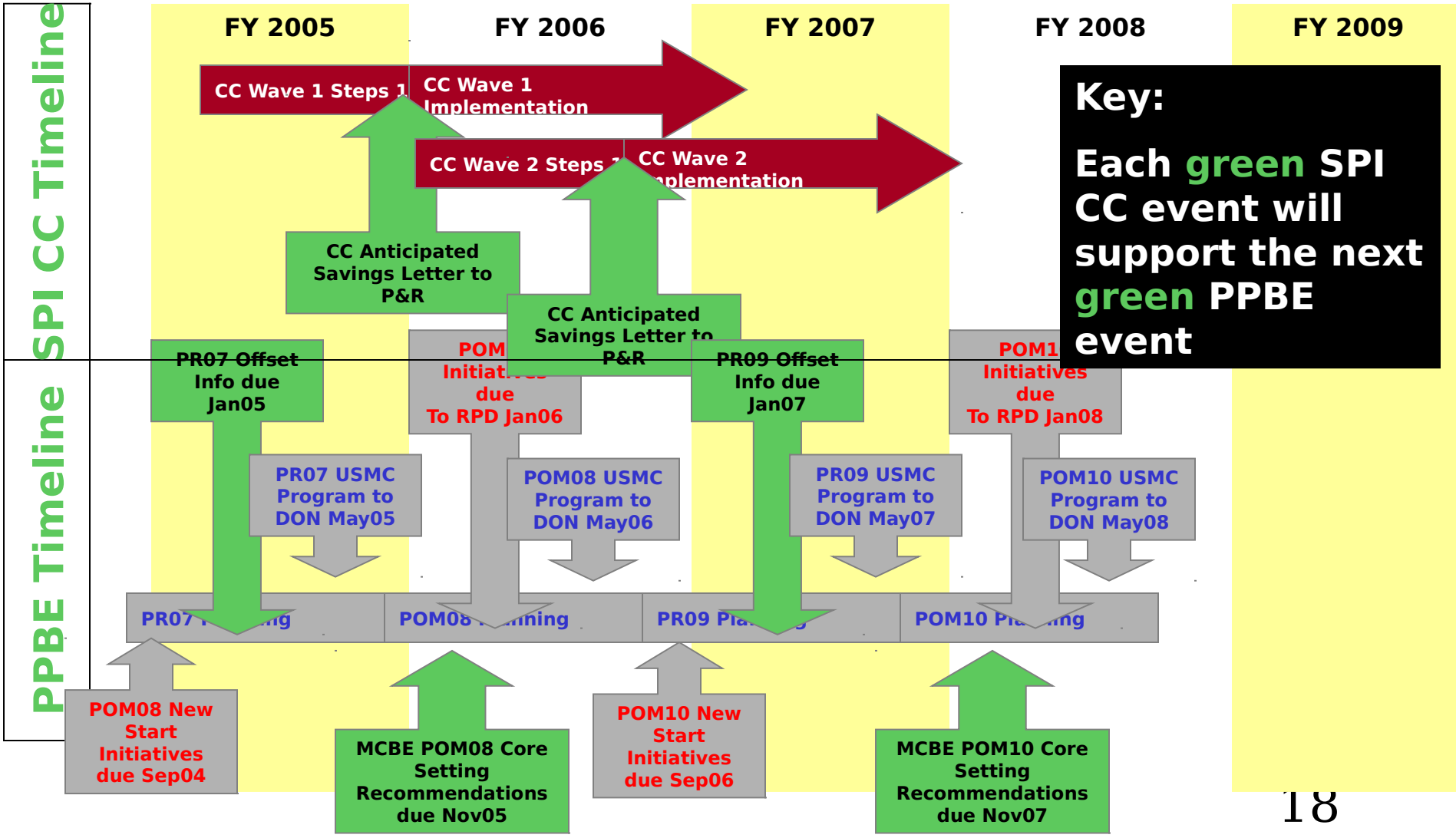
- ***Professional Services***
- ***Communication, Detection, & Coherent Radiation Eqt***
- ***Furniture***
- ***ADP***
- ***Maintenance, Repair & Rebuilding of Eqt***
- ***Vehicular Eqt***

RAND has provided valuable baseline spend analyses, protocols, and mentoring in

Baseline Data

Commodity		Baseline	Year	Source	Notes
MARINE CORPS LEAD					
Professional Services		$304,000,000	2003	Rand	"Rx", includes admin, excludes some technical
ADP		$94,000,000	2003	Rand	"Dx", service only
NAVY/DOD LEAD					
Cell phones		$4,625,000	2004	RFA	this may only represent portion, better data available in 05, DoD CC should have more information - researching
Furniture		$43,000,000	2003	Rand	~50% housing
Office Supplies		$19,000,000	2003	DD350	
OTHER AREAS OF INTEREST					
Cognos Licensing		TBD			
Laundry		$2,100,000	2003	Rand	
Base Retail Supply		TBD			Study concurrent w/ SPI
Total Baseline for First CC's:		$466,725,000			

Timeline: SPI & PPBE


FY 2005
FY 2006
FY 2007
FY 2008
FY 2009
SPI CC Timeline
PPBE Timeline
CC Wave 1 Steps 1
CC Wave 1 Implementation
CC Wave 2 Steps 1
CC Wave 2 Implementation
CC Anticipated Savings Letter to P&R
CC Anticipated Savings Letter to P&R
PR07 Offset Info due Jan05
POM Initiatives due To RPD Jan06
PR09 Offset Info due Jan07
POM1 Initiatives due To RPD Jan08
PR07 USMC Program to DON May05
POM08 USMC Program to DON May06
PR09 USMC Program to DON May07
POM10 USMC Program to DON May08
PR07 Planning
POM08 Planning
PR09 Planning
POM10 Planning
POM08 New Start Initiatives due Sep04
MCBE POM08 Core Setting Recommendations due Nov05
POM10 New Start Initiatives due Sep06
MCBE POM10 Core Setting Recommendations due Nov07
Key:
Each green SPI CC event will support the next green PPBE event

Proposed First Wave
USMC Commodity Topics

- **First Wave Tier I (USMC-lead)**
  - Professional Services*
  - ADP Equipment and Service*

  **Notes:* *Pending SPI Executive Council approval*
  Support contract includes option for third commodity

- **First Wave Tier II (Other Service-lead)**
  - Furniture (Navy Lead) – USMC Rep: HQMC/I&L(LF)
  - Office Supplies (Navy Lead) – USMC Rep: HQMC/I&L(LP)
  - Cell Phones (Navy Lead) – USMC Rep: SYSCOM
  - Clerical Support (Navy/DoD Lead) – USMC Rep: TBD

- Other Areas of Interest as identified by USMC leadership will be analyzed using strategic sourcing methodologies

Decision

- Approve selected commodities for first wave Strategic Sourcing/Commodity Council work:
  - Professional Services
  - ADP Equipment and Services

First Step:Open communication with functional managers and stakeholders

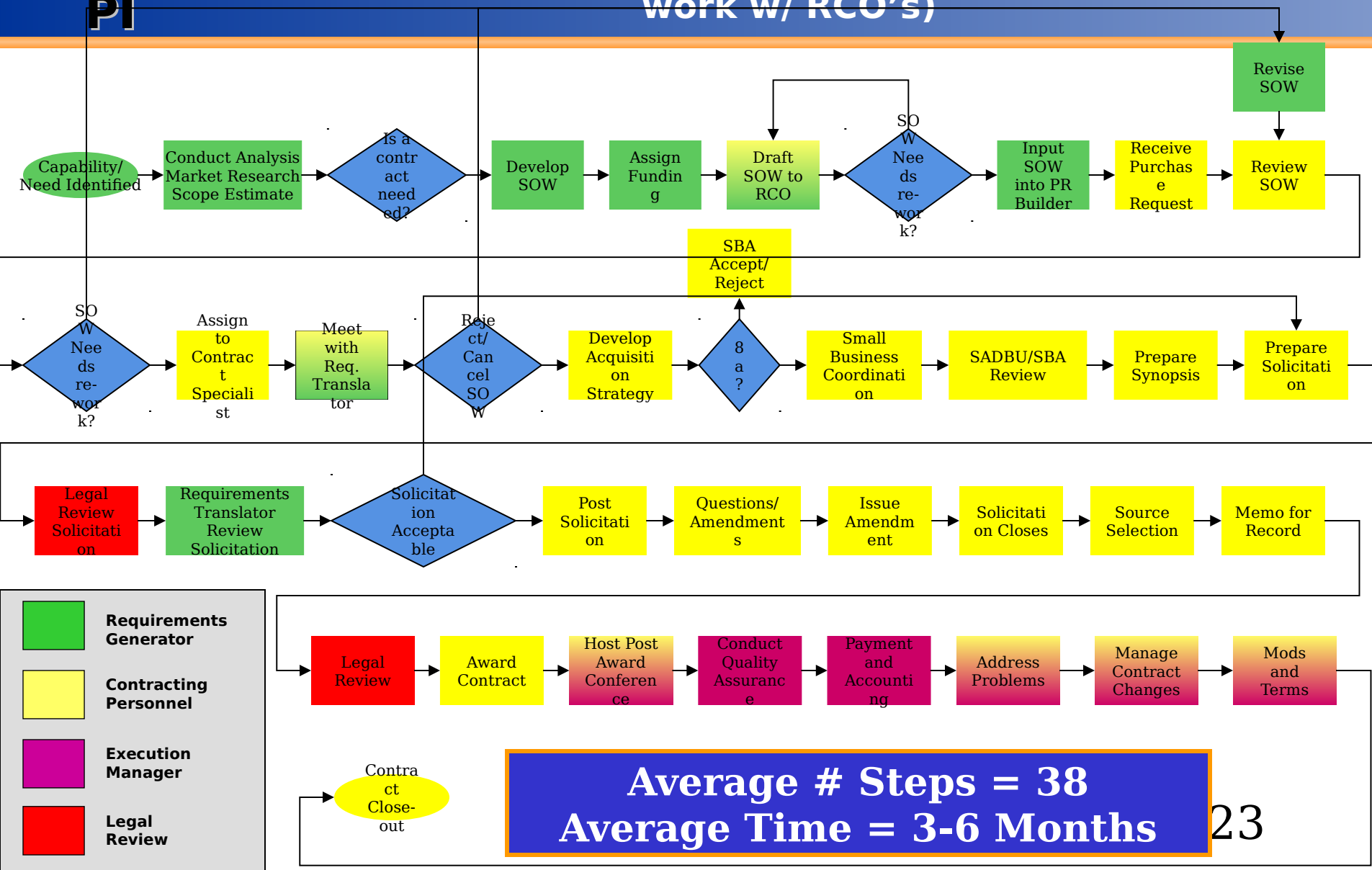
Service Acquisition
Process Analysis
And
Improvement

SPI Process Analysis and Improvement

- "As-is" process maps complete (RCO focus)
- "To-Be" process maps under development
  - Integration of e-tools identified by SPI and LB:
    - Seaport e
    - Common access portal
  - Additional recommendations based on:
    - Reduced variation
    - Reduced number of process steps
  - Recommendations will be socialized w/ LB and RCO's
  - Implementation plan will include policy and training requirements

"As-Is" Process Map

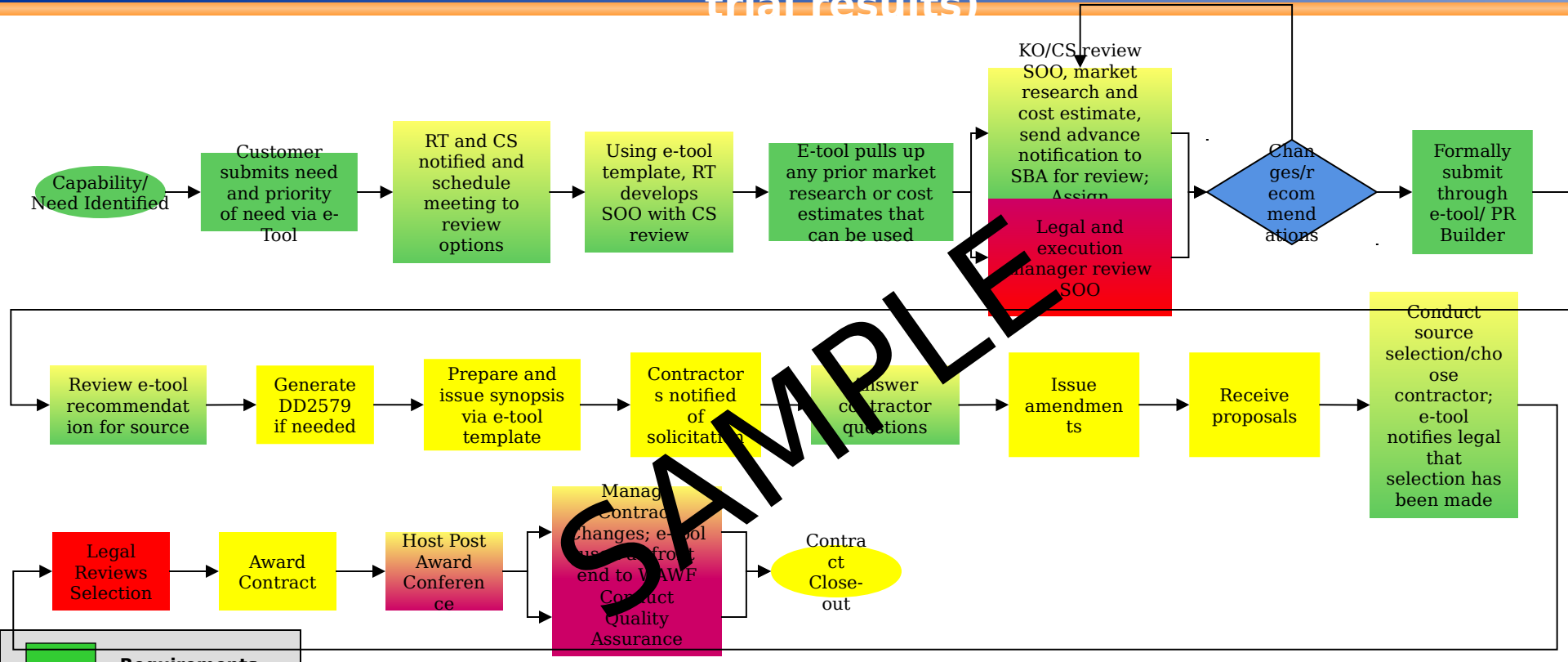
(Based on Service Acquisition Transformation Initiative work w/ RCO's)



Average # Steps = 38
Average Time = 3-6 Months

Sample "To-be" Process Map

(Actual to-be process will be based on FY05 analyses and e-tool trial results)

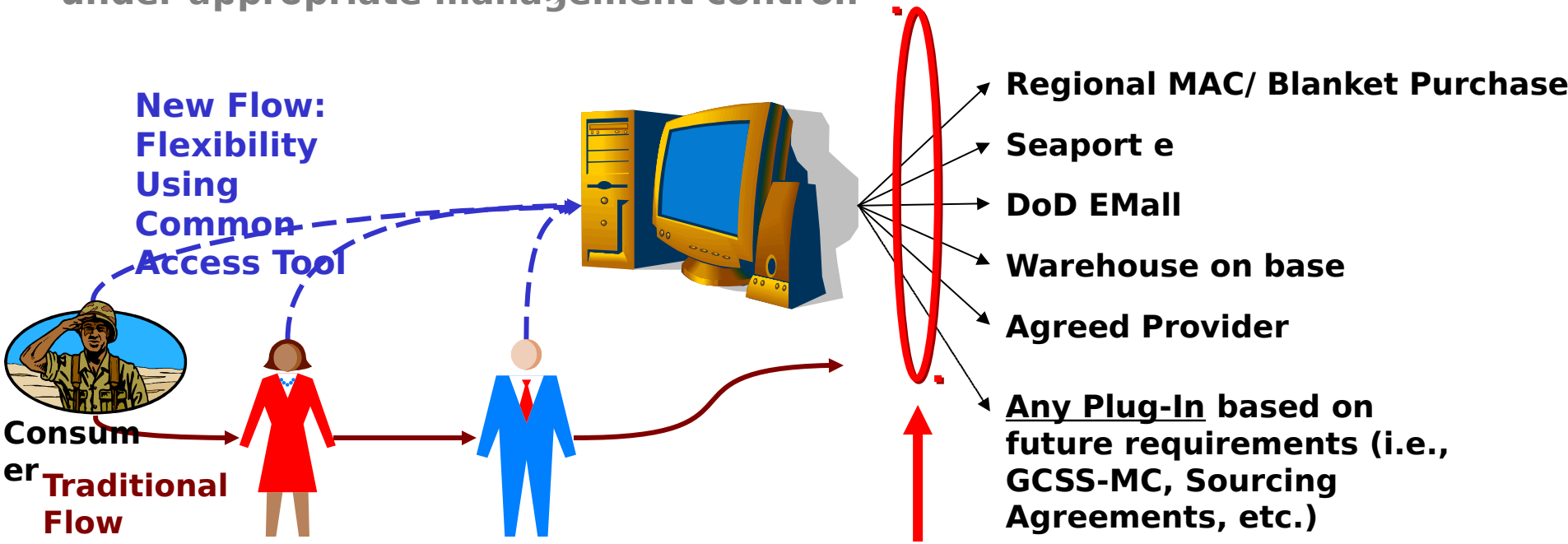

Capability/ Need Identified
Customer submits need and priority of need via e-Tool
RT and CS notified and schedule meeting to review options
Using e-tool template, RT develops SOO with CS review
E-tool pulls up any prior market research or cost estimates that can be used
KO/CS review SOO, market research and cost estimate, send advance notification to SBA for review; Assign
Legal and execution Manager review SOO
Changes/recommendations
Formally submit through e-tool/ PR Builder
Review e-tool recommendation for source
Generate DD2579 if needed
Prepare and issue synopsis via e-tool template
Contractors notified of solicitation
Answer contractor questions
Issue amendments
Receive proposals
Conduct source selection/choose contractor; e-tool notifies legal that selection has been made
Legal Reviews Selection
Award Contract
Host Post Award Conference
Manage Contract Changes; e-tool
front end to WAWF
Conduct Quality Assurance
Contract Close-out
Requirements Generator
Contracting Personnel
Execution Manager
Legal Review

SAMPLE

erage # Steps = 21 (45% reductio
Average Time = TBD

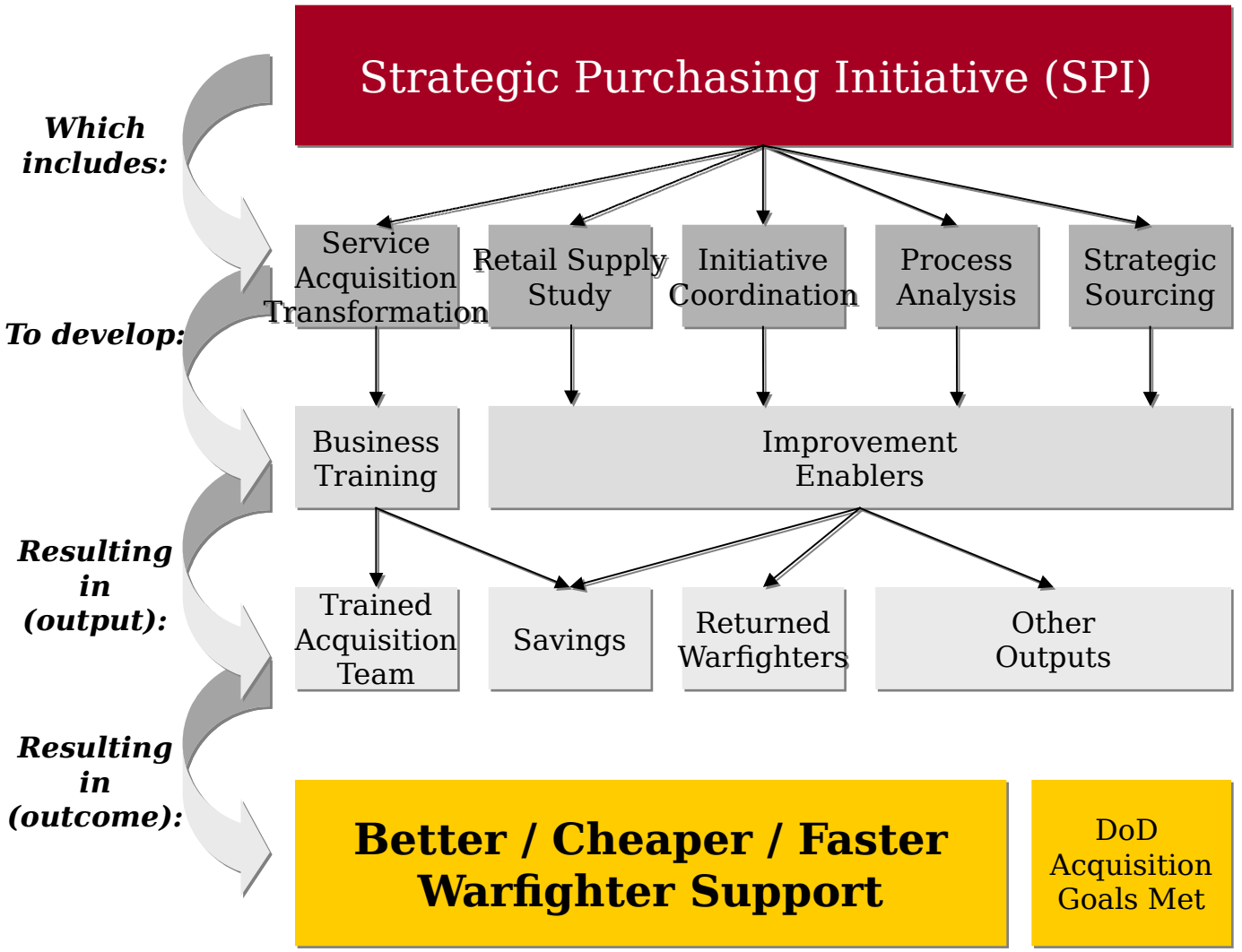
E-Tool: Common Access/Collaboration

ACCESS TOOL:
Provides Single Standard Access Point for all USMC Users (consumer, requirements generator, acquisition partner). Consumers will automatically follow current USMC policy. All activity will be conducted under appropriate management control.


New Flow: Flexibility Using Common Access Tool
Regional MAC/ Blanket Purchase
Seaport e
DoD EMall
Warehouse on base
Agreed Provider
Any Plug-In based on future requirements (i.e., GCSS-MC, Sourcing Agreements, etc.)
Consumer
Traditional Flow
Requirements Generator
Contracting Officer/ Specialist
Filtered According to Local/Command, USMC and DOD Business Rules

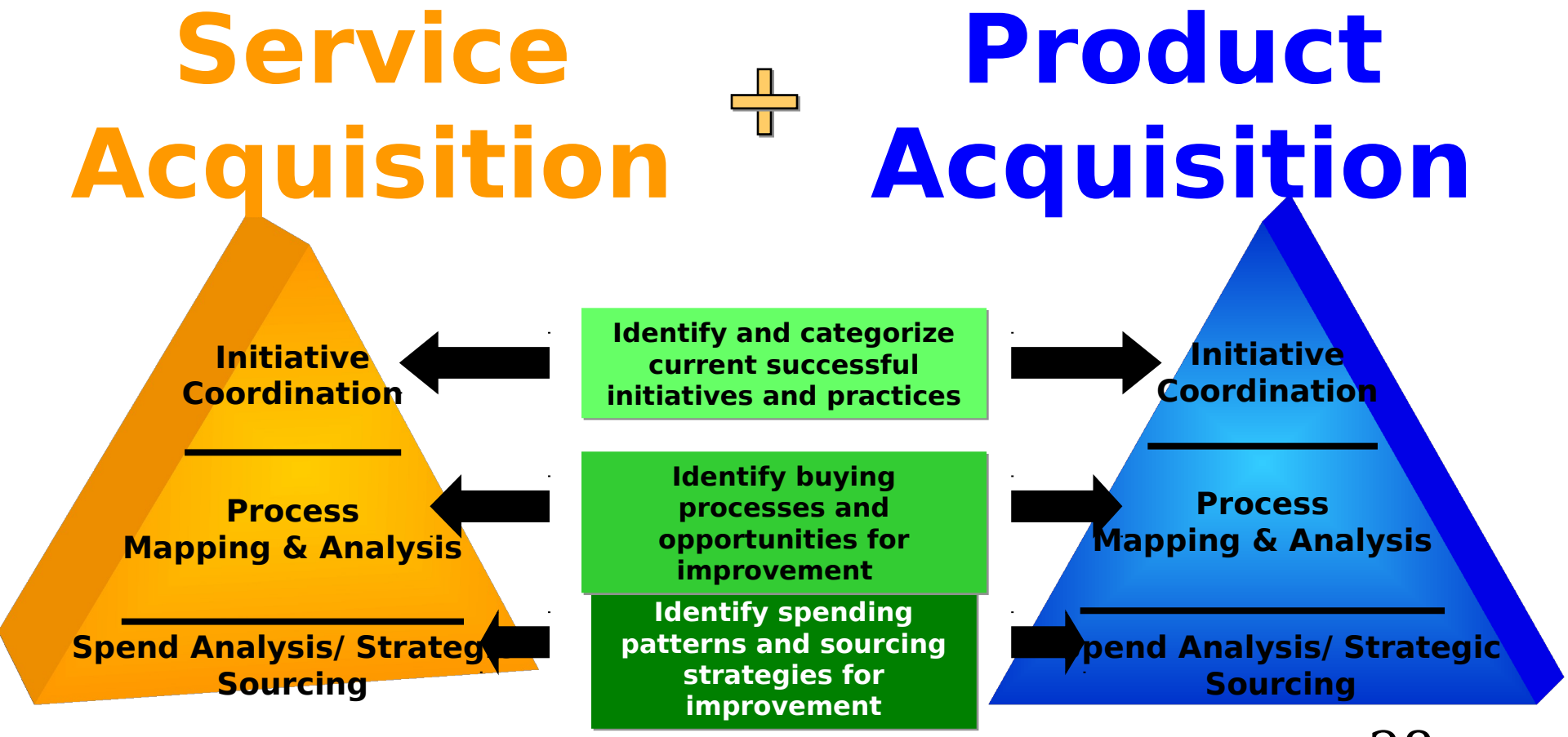
Back up

SPI Elements



SPI Overview

How can we improve Marine Corps purchasing of products


Service Acquisition
Product Acquisition
Initiative Coordination
Process Mapping & Analysis
Spend Analysis/ Strategic Sourcing
Identify and categorize current successful initiatives and practices
Identify buying processes and opportunities for improvement
Identify spending patterns and sourcing strategies for improvement
Initiative Coordination
Process Mapping & Analysis
pend Analysis/ Strategic Sourcing

Strategic Purchasing Related Higher HQ Intent

"Marine Corps business transformation will expand its current focus…by reaching across the entire enterprise to initiate end-to-end business process improvements that will drive innovation and change, and further increase effectiveness and efficiency."

MROC DM 27-2004 (12APR04)

"Aggressively pursue Marine Corps Business Enterprise initiatives to improve end-to-end processes and ensure we efficiently and effectively allocate resources for continued warfighting excellence."

POM06 CMC GUIDANCE (POM SERIAL 06-09, 2 APR 04)

Proposed Second Wave
USMC Commodity Topics

- **Second Wave Tier I (USMC-lead)**
  - Maintenance/Repair/Rebuilding of Equipment*
  - Vehicular Equipment and Spare Parts*

    **Note: Pending SPI Executive Council approval*

- **Second Wave Tier II (Other Service-lead)**
  - Hardware (Navy Lead) – USMC Rep: TBD
  - Medical/Surgical Instruments and Supplies (Navy Lead) – USMC Rep: N/A

- Other Areas of Interest as identified by USMC leadership will be analyzed using strategic sourcing methodologies

Resources

INITIAL

- Spend Analysis ($150k)
- NAVFAC (2.5 people)
- LR (.5 person)
- PBSA Resources
- IPT Participation
  - LB/LX/LF/LK
  - P&R
  - MCCS
  - SYSCOM
  - LOGCOM
  - LP (Advisory)

NEAR-TERM (estimate)

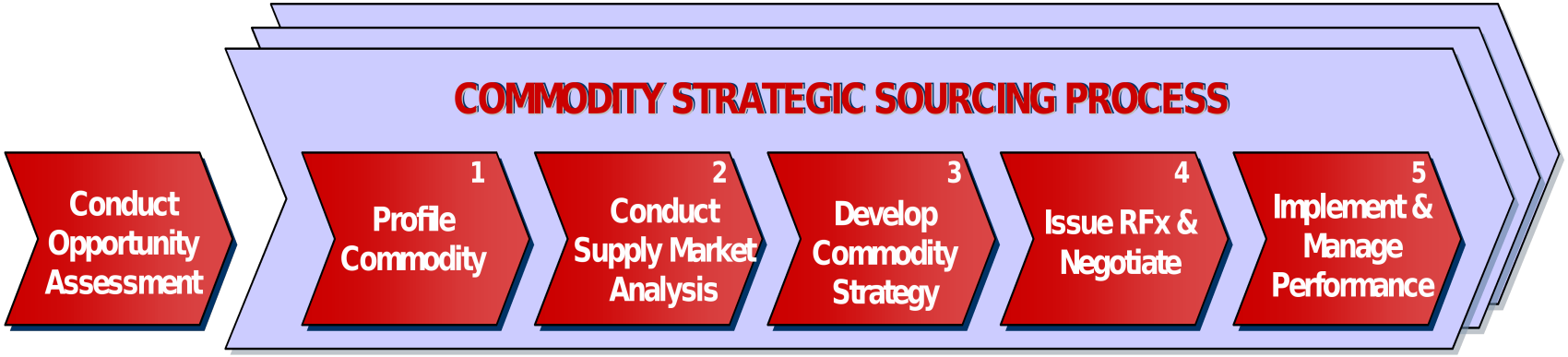
- NAVFAC (3 people)
- LR (1 person)
- PBSA Resources
- IPT Participation
- Contract Support
  - Censeo for first wave CC's ($450k)
  - Support for next CC's TBD
- Commodity Team Participation
- Implementation Investments
  - E-tool trial at Quantico ($750k)

Key Resource: Executive Commitment

Commodity Council Approach

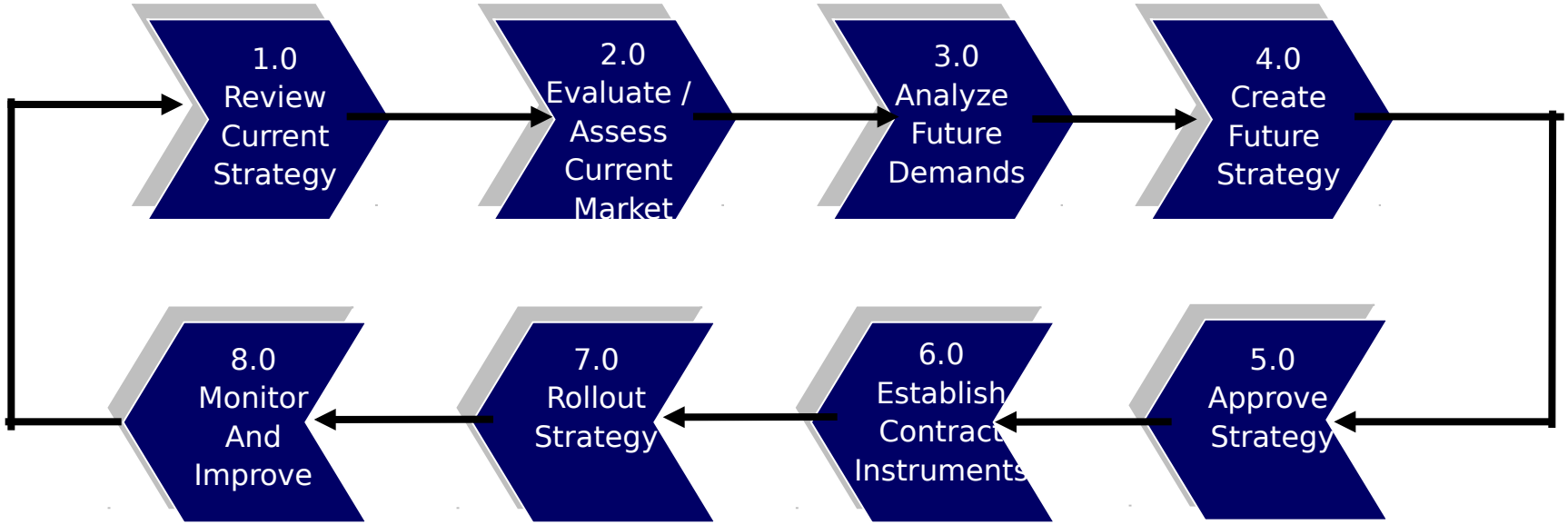
USMC	OTHER SERVICES
Spend Analysis: USMC smaller so we start by roll up FSC/PSC's	**Others are large so they immediately start slicing within FSC/PSC's**
Attacking hard topics first	**Attack easy topics first**
One pilot council launching *spirals* in many commodities	**A few pilot councils staying within each launching *spirals* within one commodity**
Early effort: Spinning of councils from pilot	**Early effort: Launching successive Waves of councils**
Learn from DoD then self	**Learn from industry then self**

Commodity Council Process
Defense-Wide Strategic Sourcing (DWSS)


COMMODITY STRATEGIC SOURCING PROCESS
Conduct Opportunity Assessment
1 Profile Commodity
2 Conduct Supply Market Analysis
3 Develop Commodity Strategy
4 Issue RFx & Negotiate
5 Implement & Manage Performance

While the graphics and environments are different, the DWSS Commodity Council process is analogous to the USAF. The DWSS graphic was produced for a Navy Department pilot project.

USAF Commodity Council Eight-Step Process


1.0 Review Current Strategy
2.0 Evaluate / Assess Current Market
3.0 Analyze Future Demands
4.0 Create Future Strategy
5.0 Approve Strategy
6.0 Establish Contract Instruments
7.0 Rollout Strategy
8.0 Monitor And Improve

Process for continuous improvement

USAF Commodity Council Roles

SPI

Materiel Governance Board

Co-Chairs : AFMC/PK & LG

ALC/PKs and CSW Director

Governance

Policy

- Set overall CC objectives and goals
- Approve CC strategies, plans and measurements
- Evaluate on-going CC performance

Commodity Council Director

- Executes CC Mgt
- Formulates Accountable for CAMP
- Accountable for

Procurement Manager

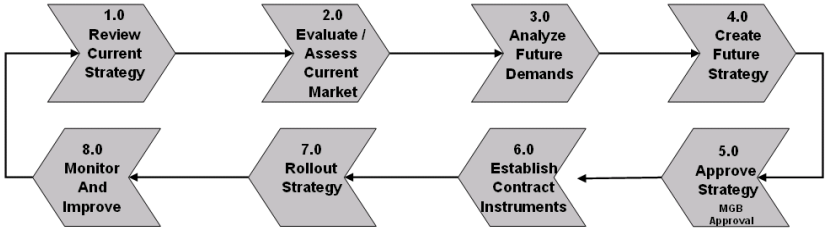
- Develops contract and sourcing strategy
- Executes contract

Sourcing Supply Analyst

- Conducts spend and strategy analysis
- Develops/manages Supplier Scorecards

Commodity Council Deputy Director

- Manages council
- Coordinates the matrix support team
- Responsible for assembling the



ommodity Sub-Counci Manager

- Manages commodity sub-group
- Formulates

ommodity Supply Chai Analyst

- Commodity SC Strategic Planning
- Continuous Process Improvement POC

Data Specialist

- Performs data analysis
- Ensures quality and availability of data

usiness Requirements Analyst

- Customer Relations POC
- Interpret customer needs

Commodity Expert

- Engineering and technical expert
- TDA + Engineer
- Commodity Standardization

Market Intelligence Analyst

- Research, analyze and interpret market research
- Builds knowledge repository

USAF Commodity Councils

Commodity Group	Lead ALC	# of CAGEs	Stock #s	Stock #s / KT	# Contracts	# Contract Actions
Aircraft Accessories	OC	460	3417	1.59	2148	3136
Aircraft Engines	OC	411	3121	1.85	1689	4018
Aircraft Structural	WR	261	2358	2.05	1148	1591
Communications Electronics	WR	808	11138	2.61	4271	7111
Instruments	OC	324	1862	1.65	1128	1576
Landing Gear	OO	130	1034	1.14	905	1154
Secondary Power	OO	45	253	1.41	180	253
Support Equipment	WR	910	3641	.88	4159	5106
TOTALS		3349	26824	1.72	15628	23945

SPI: What's Different? Policy

	From Tactical Approach	To Strategic Approach
Strategy	Local strategies, Not Enterprise wide	Enterprise-wide strategies
Organization	Decentralized Maverick Buying	Enterprise wide linkages Cross-Function
Processes	Decentralized Inconsistent Paper Intensive	E-procurement Very Consistent Paperless

SPI: What's Different? Relationships

	From **Tactical Approach**	*To* **Strategic Approach**
Suppliers	Reactive relationships No collaboration	Proactive collaboration Supplier scorecards
Customers	Unsatisfied, Using Work-arounds, No Feedback	Active CRM Provider of choice
Procurement Staff	Buying Specialist, Tactical, Risk Averse	Strategic (& tactical) Sourcing Experts

SPI: What's Different? Supplier Realm

	From **Tactical Approach**	*To* **Strategic Approach**
Suppliers	•Many •Ok sources, lowest price •Adversarial	•Few •Best source, lowest TOC •Partnering
Supply Base Management	•Churn short term contracts •Diffused (roles & sites) •Primary concern – Competition	•Longer term contracts •A lead long term voice •Primary concern – Lowest total cost
Supplier Management	•Informally evolves •Many contracts, contracting offices, and focal points •Poor leverage & poor trust	•Formally assigned •Few larger contracts at few contracting offices •Increased leverage & trust

SPI: What's Different? Enterprise Realm

	From **Tactical Approach**	*To* **Strategic Approach**
Teams	•Many, ad hoc teams •Junior level personnel	•Fewer cross function teams •Broader skill sets •More senior/seasoned
Critical skills	•Firming up requirements •Compliance orientation •Incremental improvement •Minimize management burden/participation	•Discretion •Collaboration with experts •Critical analysis •Process improvement •Strategic Sourcing
Requirement Generators	•Talk among themselves •Functionally oriented incentives	•Cross functional comm. • Cross function problem solving

Commodity Council Initiative IOC to FOC

- Phase I Initial Operating Capability (IOC)
- Phase II Commodity Council Spin Off
- Phase III Full Operating Capability (FOC)
- Phase IV SPI IPT Reconstitution

Phase I
Initial Operating Capability (IOC)

- Purpose is gain CC expertise
- Main Effort is to launch initial spirals
  - Tier I Spirals: Professional Services & ADP
  - Tier II Spirals: Office Supplies & Office Furn.
- End State: At least two of the spirals result in an enterprise wide change (note a spiral may complete without resulting in an enterprise change)

Phase II
Commodity Council Spin Off

- Purpose is to clarify issues involving coordination of multiple CC's & define allowable CC variants
- Main Effort is to initiate two (2) permanent commodity councils and harvest & documenting savings
- End State: Three (3) coordinated CC & an SPI Executive Committee approval

Phase III
Full Operating Capability (FOC)

- Purpose is to apply (on a sustained basis) an enterprise wide approach to buying products & services IOT optimize FMF support
- Main Effort is optimizing support of USMC
  - Documenting results
  - Adjusting as needed to improve
- End State: This phase is ongoing

Phase IV
SPI IPT Reconstitution

- Purpose is split the two roles of the SPI IPT
  - Residual CC efforts (if any)
  - Working level oversight of other CC's
- Main Effort is to develop a decision brief that explains the two roles.
- End State: The SPI Executive Committee approves the decision brief

SPI Stakeholders